



Commodity Futures Trading Commission

Office of Public Affairs

Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
www.cftc.gov

December 2, 2016

Q & A – Proposed Rules Regarding Capital Requirements of Swap Dealers and Major Swap Participants

Will the proposal account for uncleared swaps not subject to margin collection by swap dealers?

The proposal provides that all uncleared swaps excluded or exempt from the margin rules (e.g., legacy swaps, swaps with commercial end users, inter affiliate swaps, and foreign exchange swaps or forwards) would be subject to the capital rules. Generally, the proposal will require swap dealers (SD) to reserve capital for uncollateralized exposures from swap transactions, including the aforementioned transactions, under both the Security and Exchange Commission (SEC) and bank-based capital approaches.

Are there proposed liquidity requirements for SDs and major swap participants?

SDs would be subject to a liquidity requirement in addition to a capital requirement. SDs that follow the bank-based capital requirements would be subject to liquidity requirements that are based on the liquidity requirements adopted by the Federal Reserve Board under its capital rules. SDs that follow the SEC security-based capital rules would be subject to the liquidity requirements that are proposed by the SEC in its security-based swap dealer capital rules. Both liquidity requirements are designed to ensure that a SD holds an adequate level of highly liquid assets to meet operating needs under stressed environments, and has a liquidity funding plan in place. There are no proposed liquidity requirements applicable to major swap participants (MSPs) or to SDs that are eligible to use the tangible net worth capital approach because they are primarily engaged in non-financial activities.

Can SDs use internal models to calculate capital charges?

Under several of the proposed capital standards, there is the option for the SD to apply to use models to calculate market and credit risk capital charges. The models must meet both quantitative and qualitative requirements and must be approved prior to use. For SDs using such models, generally higher net capital floors and tentative capital requirements will apply.

Can SDs include margin posted with third-party custodians for uncleared swap transactions to meet minimum capital requirements?

Yes, subject to proper compliance with the applicable uncleared swap margin rules, margin for uncleared swaps posted to third-party custodians may be included in the calculation of an SD's capital.

Must non-U.S. SDs follow the proposed capital requirements?

Under the proposal, the Commission may issue capital comparability determinations. A foreign jurisdiction or foreign SD could apply to the Commission for comparability determinations with respect to some or all aspects of the capital rule by demonstrating that the SD operates in, and is subject to regulation in, a foreign jurisdiction that has capital requirements that are comparable to the CFTC's SD capital requirements.